

**GARFIELD TOWNSHIP
MACKINAC COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2006

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Garfield Township	County Mackinac
Fiscal Year End March 31, 2006	Opinion Date August 16, 2006	Date Audit Report Submitted to State September 16, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

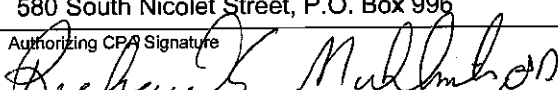
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC		Telephone Number 231-436-5223	
Street Address 580 South Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
		Zip 49701	
Authorizing CPA Signature 		Printed Name Richard E. Mahlmeister, CPA	License Number 17351

GARFIELD TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

August 16, 2006

Township Board
Garfield Township
Mackinac County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Garfield Township, Mackinac County, Michigan***, as of and for the year ended March 31, 2006, which collectively comprise ***Garfield Township's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Garfield Township's*** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of ***Garfield Township, Mackinac County, Michigan***, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 25 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Garfield Township's* basic financial statements. The other supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Richard E. Mahlmeister, C.P.A.

GARFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net assets at March 31, 2006 totaled \$1,238,354, representing a increase of \$23,424 from the previous fiscal year.

Governmental Fund Highlights

The governmental fund activities of the Township reported combined ending fund balances of \$308,960, which represents a decrease of \$37,542 from the previous fiscal year.

Capital Assets and Long-term Debt

\$96,059 of capital assets were acquired during the year. The Township's long-term debt decreased by \$23,467 to \$101,199. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2006.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GARFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue-Road Fund, Emergency Services Fund, Vehicle Replacement Fund, Parks Fund and Waterways Fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	Garfield Township	
	Net Assets	
	March 31,	
	GOVERNMENTAL	
	ACTIVITIES	
	2006	2005
Assets:		
Current assets	\$312,702	\$349,715
Capital assets (net)	1,033,714	997,274
Total assets	<u>\$1,346,416</u>	<u>\$1,346,989</u>
Liabilities:		
Current liabilities	\$27,906	\$30,860
Noncurrent liabilities	80,156	101,199
Total Liabilities	<u>\$108,062</u>	<u>\$132,059</u>
Net assets:		
Invested in capital assets, net of related debt	\$932,515	\$997,274
Unrestricted	305,839	217,656
	<u>\$1,238,354</u>	<u>\$1,214,930</u>

GARFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment and vehicles), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$305,839 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

Garfield Township		
Change in Net Assets		
March 31,		
	GOVERNMENTAL	
	ACTIVITIES	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$44,172	\$41,768
Operating grants and contributions	3,923	4,576
Capital grants and contributions	89,675	441,057
General revenues:		
Property taxes	331,701	314,281
State-shared revenues	118,736	115,806
Interest income	8,955	5,882
Other	10,610	4,332
Total Revenues	<u>607,772</u>	<u>927,702</u>
Expenses:		
Legislative	29,534	29,206
General government	151,361	148,362
Public safety	110,531	90,947
Public works	245,160	148,308
Recreation and culture	21,566	2,560
Other	21,760	21,999
Interest on long-term debt	4,436	6,270
Total Expenses	<u>584,348</u>	<u>447,652</u>
Net assets:		
Increase in net assets	23,424	480,050
Beginning Net Assets	1,214,930	734,880
Ending Net Assets	<u>\$1,238,354</u>	<u>\$1,214,930</u>

GARFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in net assets. Net assets increased by \$23,424. Property taxes have increased due to increases in taxable value. Capital grants decreased from the prior year as we had a grant for marina construction in the prior year. Public works expenses have also increased due to road projects undertaken during the year. In summary, overall expenses have increased by \$136,696, primarily due to additional road projects during the current year.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains four individual governmental funds; General Fund, Road Fund, Emergency Services Fund, Vehicle Replacement Fund of which we consider major funds. We also have Park and Waterways Funds, which we consider non-major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

GARFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The Emergency Service and Vehicle Replacement Fund activities remained consistent. The Road Fund had a decrease in fund balance, primarily due to the aforementioned road projects. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, ambulance service and tax collection. The General Fund increased its fund balance by \$44,099, bringing the fund balance to \$195,394, the Special Revenue-Road Fund decreased its fund balance by \$102,492, bringing the fund balance to \$18,451, the Emergency Services Fund increased its fund balance by \$8,237, bringing the fund balance to \$42,760, the Vehicle Replacement Fund increased its fund balance by \$10,861, bringing the fund balance to \$48,930, and the Parks and Waterways Funds increased their fund balances by \$1,753, bringing their combined fund balance to \$3,425.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township's governmental activities had \$1,033,714 in net capital assets (land, buildings and equipment and vehicles). Capital assets purchased during the current year were for new windows in the Township Hall, new parking lot, and fire-fighting equipment purchased with a FEMA grant received. Total capital assets purchased during the year were \$96,059.

Long-Term Debt

No new debt was incurred during the year. We decreased our debt by \$23,467. Our remaining debt consists of \$101,199 capital lease debt on our Pierce fire truck and defibrillator.

BUDGETARY HIGHLIGHTS

Overall there are no significant differences between the original and actual budget. We did not make some improvements to the township hall and spent less on road improvements that we planned on doing due to the fact that the Road Commission ran out of time to complete our last project on Krause Road.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

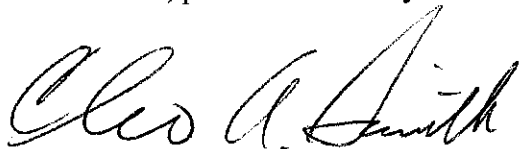
The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political consideration. We also plan on improving various county roads within the Township as the Road Fund permits and eventually having non-existent dirt roads. We also are striving to keep all our current buildings in good repair as money permits each year. We have a FEMA grant application pending for a generator for the Township Hall which is a designated Red Cross Center and have received a grant for the Marina to monitor the Littoral Drift Study of the Naubinway Marina for which the work still has not been completed.

GARFIELD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

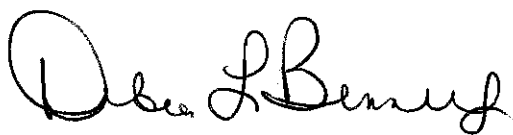
This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 906.477.6481 (Garfield Township Hall).



Cleo A. Smith
Garfield Township Supervisor



Linda A. Bennett
Garfield Township Clerk



Debra L. Bennett
Garfield Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GARFIELD TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2006**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$262,330
Investments	10,000
Receivables:	
Property taxes	25,567
Due from fiduciary fund	579
Due from other governmental units	14,226
Capital assets (Net of Accumulated Depreciation)	<u>1,033,714</u>
<u>TOTAL ASSETS</u>	<u>\$1,346,416</u>
 <u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	
Accounts payable	\$2,057
Accrued payroll taxes	1,685
Accrued interest	3,121
Long-term liabilities:	
Due within one year	21,043
Due in more than one year	<u>80,156</u>
TOTAL LIABILITIES	<u>108,062</u>
NET ASSETS:	
Invested in capital assets, net of related debt	932,515
Unrestricted	<u>305,839</u>
TOTAL NET ASSETS	<u>1,238,354</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$1,346,416</u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	\$29,534	\$ -	\$ -
General government	151,361	-	3,923
Public safety	110,531	44,172	-
Public works	245,160	-	-
Recreation and culture	21,566	-	-
Other	21,760	-	-
Interest on long-term debt	4,436	-	-
Total governmental activities	584,348	44,172	3,923
		General Revenues	
		Property taxes	
		State-shared revenues	
		Unrestricted interest income	
		Other	
		Total general revenues	
		Change in net assets	
		Net assets, beginning of year	
		Net assets, end of year	

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	
Capital Grants and Contributions	TOTAL
\$21,412	(\$8,122)
-	(147,438)
67,896	1,537
-	(245,160)
367	(21,199)
-	(21,760)
-	(4,436)
89,675	(446,578)
	331,701
	118,736
	8,955
	10,610
	470,002
	23,424
	1,214,930
	<u>\$1,238,354</u>

FUND FINANCIAL STATEMENTS

GARFIELD TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2006

ASSETS	GENERAL FUND	ROAD FUND	EMERGENCY SERVICES FUND
Cash and cash equivalents	\$163,567	\$10,913	\$37,984
Investments	10,000	-	-
Taxes receivable	10,574	7,531	4,975
Due from other governmental units	14,226	-	-
Due from tax collection fund	566	7	4
<u>TOTAL ASSETS</u>	<u>\$198,933</u>	<u>\$18,451</u>	<u>\$42,963</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$2,057	\$ -	\$ -
Accrued payroll taxes payable	1,482	-	203
<u>TOTAL LIABILITIES</u>	<u>3,539</u>	<u>-</u>	<u>203</u>
FUND BALANCES			
Reserved for:			
Cemetery improvements	3,000	-	-
Ambulance building improvements	10,000	-	-
Pavillion building improvements	-	-	-
Unreserved:			
Designated for:			
Subsequent years' expenditures	163,218	10,783	37,916
Unreserved, undesignated	19,176	7,668	4,844
<u>TOTAL FUND BALANCES</u>	<u>195,394</u>	<u>18,451</u>	<u>42,760</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$198,933</u>	<u>\$18,451</u>	<u>\$42,963</u>

The accompanying notes are an integral part of these financial statements.

VEHICLE REPLACEMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$46,441	\$3,425	\$262,330
-	-	10,000
2,487	-	25,567
-	-	14,226
2	-	579
<u>\$48,930</u>	<u>\$3,425</u>	<u>\$312,702</u>
\$ -	\$ -	\$2,057
-	-	1,685
-	-	3,742
-	-	3,000
-	-	10,000
-	1,260	1,260
46,358	2,154	260,429
2,572	11	34,271
<u>48,930</u>	<u>3,425</u>	<u>308,960</u>
<u>\$48,930</u>	<u>\$3,425</u>	<u>\$312,702</u>

GARFIELD TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2006

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$308,960

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: capital assets	1,490,907
Subtract: accumulated depreciation	(457,193)

Certain liabilities are not due and payable in the current period, and therefore
are not reported as liabilities in the funds, and consist of:

Subtract: capital leases payable	(101,199)
Subtract: accrued interest on long-term liabilities	(3,121)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$1,238,354</u>
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The accompanying notes are an integral part of these financial statements.

GARFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	EMERGENCY SERVICES FUND
REVENUES:			
Taxes	\$134,038	\$99,180	\$65,690
Licenses and permits	7,246	-	-
Federal revenues	3,923	-	-
State shared revenues	113,629	5,107	-
State grants	-	-	-
Charges for services	36,926	-	-
Interest	3,446	1,185	3,738
Donations	13,000	-	3,731
Other revenue	1,420	-	9,144
TOTAL REVENUES	313,628	105,472	82,303
EXPENDITURES			
Current:			
Legislative	29,534	-	-
General government	143,784	-	-
Public safety	10,540	-	62,087
Public works	37,196	207,964	-
Recreation and culture	4,426	-	-
Other functions	21,760	-	-
Capital outlay	22,289	-	5,507
Debt service:			
Principal	-	-	6,472
Interest	-	-	-
TOTAL EXPENDITURES	269,529	207,964	74,066
NET CHANGES IN FUND BALANCES	44,099	(102,492)	8,237
FUND BALANCES, BEGINNING OF YEAR	151,295	120,943	34,523
FUND BALANCES, END OF YEAR	\$195,394	\$18,451	\$42,760

The accompanying notes are an integral part of these financial statements.

VEHICLE REPLACEMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$32,793	\$ -	\$331,701
-	-	7,246
67,896	-	71,819
-	-	118,736
-	367	367
-	-	36,926
512	74	8,955
-	4,681	21,412
46	-	10,610
101,247	5,122	607,772
-	-	29,534
-	-	143,784
-	-	72,627
-	-	245,160
-	3,002	7,428
-	-	21,760
67,896	367	96,059
16,995	-	23,467
5,495	-	5,495
90,386	3,369	645,314
10,861	1,753	(37,542)
38,069	1,672	346,502
\$48,930	\$3,425	\$308,960

GARFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

Reconciliation of statement of revenues, expenditures and changes in fund balances of
governmental funds to statement of activities

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$37,542)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, those costs
are allocated over their useful lives as annual depreciation expense in the statement
of activities.

Add: capital outlay capitalized during the current year	96,059
Subtract: depreciation expense	(59,619)

Repayment of debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	23,467
--	--------

Some expenses in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in
governmental funds.

Add: prior year accrued interest on debt	4,180
Subtract: current year accrued interest on debt	(3,121)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$23,424</u>
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The accompanying notes are an integral part of these financial statements.

**GARFIELD TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2006**

<u>ASSETS</u>		<u>AGENCY FUND</u>
Cash		<u>\$173,092</u>
<u>LIABILITIES</u>		
Due to other funds		\$579
Due to other governmental units		<u>172,513</u>
<u>TOTAL LIABILITIES</u>		<u>173,092</u>
<u>NET ASSETS</u>		
Fiduciary Net Assets		<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Garfield Township, Mackinac County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Garfield Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures* and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund - This special revenue fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

Emergency Services Fund - This special revenue fund is used to account for expenditures related to providing ambulance and fire services to the Township. Financing is provided primarily by a special property tax levy.

Vehicle Replacement - This special revenue fund is used to accumulate funding for the purchase of emergency services equipment and vehicles. Financing is provided primarily by a special property tax levy.

The Township reports the following special revenue - nonmajor funds:

Parks Fund - The Park Fund accounts for expenses related to improving the Township park. Funding comes primarily from donations.

Waterways Fund - The Waterways is used to account for expenditures related to improvements of the marina. Financing is provided primarily by grants, when available.

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Fiduciary Funds

Trust and Agency Fund - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Because the Township is considered a phase 3 government for GASB 34 implementation requirements, the Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized, if any.

Estimated useful lives, in years, for depreciable assets are as follows:

Land improvements	10 – 15 years
Buildings and improvements	15 – 40 years
Machinery and equipment	5 – 10 years
Vehicles	5 – 20 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

(Continued)

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** **(CONTINUED)**

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTE 2: PROPERTY TAX

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$70,027,139, on which ad valorem taxes consisted of 1.4841 mills for the Township's operating purposes, 1.4237 mills for roads, .9407 mills for emergency services and .4703 mills for equipment replacement, raising \$103,983 for operating purposes \$99,180 for roads, \$65,690 for emergency services and \$32,793 for equipment replacement.

NOTE 3: CASH AND CASH EQUIVALENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$435,422
Investments (certificate of deposit)	10,000
	<hr/>
	\$445,422

(Continued)

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Deposits: At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$310,490	\$276,986
Uninsured – uncollateralized	134,932	174,190
	<u>\$445,422</u>	<u>\$451,176</u>

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account. The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

NOTE 4: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$579	\$ -
Fiduciary - Tax Collection	-	579
Total	<u>\$937</u>	<u>\$937</u>

There were no operating transfers for the year ended March 31, 2006.

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Not being depreciated:				
Land	\$58,108	\$ -	\$ -	\$58,108
Being Depreciated:				
Land improvements	-	11,720	-	11,720
Building and Improvements	179,808	10,569	-	190,377
Machinery and Equipment	48,741	73,403	-	122,144
Vehicles	542,806	-	-	542,806
Marina	565,385	367	-	565,752
Subtotal	1,394,848	96,059	-	1,490,907
Less accumulated depreciation	(397,574)	(59,619)	-	(457,193)
Total	\$997,274	\$36,440	\$ -	\$1,033,714

Depreciation was charged to the Township's functions as follows:

General government	\$7,577
Public safety	37,904
Recreation and culture.	14,138
	<u>\$59,619</u>

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL LEASES AND LONG-TERM DEBT

The Township has entered into two capital lease agreements for a fire truck and for emergency defibrillator equipment, which will become the Township's property when the terms of the lease are met.

A summary of long-term obligations related to the capital lease agreements for the year ended March 31, 2006, as follows:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2006</u>	<u>Due in</u> <u>One Year</u>
Oshkosh Capital Leasing, Inc., fire truck; annual payments of \$22,490, including interest at 4.78%, through July, 2010.	\$114,958	\$16,995	\$97,963	\$17,807
Citicapital, defibrillator, monthly payments of \$539, 0% interest, through September, 2006.	<u>9,708</u>	<u>6,472</u>	<u>3,236</u>	<u>3,236</u>
Total	<u>\$124,666</u>	<u>\$23,467</u>	<u>\$101,199</u>	<u>\$21,043</u>

The following schedule presents the future minimum lease payments as of March 31, 2006:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2007	\$25,724
2008	22,490
2009	22,490
2010	22,490
<u>2011</u>	<u>22,490</u>
Total minimum payments due	115,684
Less amounts representing interest	<u>14,485</u>
Present value of net minimum lease payments	<u>\$101,199</u>

Interest paid for the year ended March 31, 2006 was \$5,495

(Continued)

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL LEASES AND LONG-TERM DEBT (CONTINUED)

The fire truck and emergency defibrillator equipment, and accumulated depreciation under capital leases are as follows:

<u>Fund</u>	<u>Fire Truck</u>	<u>Emergency Defibrillator</u>
Machinery and equipment	\$ -	\$12,944
Vehicles	202,994	-
Accumulated depreciation	35,524	3,082
Total	<u>\$167,470</u>	<u>\$9,862</u>

NOTE 7: PENSION PLAN

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6.2% of employees' gross earnings and employees contribute 6.2% percent of earnings. In accordance with these requirements, the Township contributed \$7,799 during the current year, and the employees contributed \$7,799. Fees and contract charges were \$180.

NOTE 8: CONSTRUCTION CODE

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Revenues are shown as Licenses and Permits and the related expenditures are shown under General Fund building and electrical inspection expenditures. Following is this activity for the year ended March 31, 2006, as reported in the accompanying financial statements:

Revenues:

Licenses & permits	<u>\$7,246</u>
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Expenditures:

Salaries & fringe benefits	4,939
Other	1,589
Total Expenditures	<u>6,528</u>
Revenue Over Expenditures	<u><u>\$718</u></u>

GARFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT

Garfield Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$692,500, general liability of \$4,000,000, wrongful acts of \$3,000,000, crime of \$10,000, automobile of \$2,000,000, inland marine liability of \$220,410 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10: COMMITMENTS

The Township is committed under contracts for road improvements in the approximate amount of \$10,000.

NOTE 11: CONTINGENCIES

In the normal course of operations, the Township receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

REQUIRED SUPPLEMENTARY INFORMATION

**GARFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$126,221	\$126,221	\$103,983	(\$22,238)
Property taxes - administrative fee	21,600	21,600	30,055	8,455
Total taxes	147,821	147,821	134,038	(13,783)
Licenses and permits:				
Building and electrical permits	6,000	6,000	7,246	1,246
Federal revenue	-	-	3,923	3,923
State shared revenues:				
State shared revenues	75,000	75,000	85,507	10,507
Swampland and payment in lieu of tax	28,000	28,000	28,122	122
Total state shared revenues	103,000	103,000	113,629	10,629
Charges for services:				
Cemetery lots and burials	3,000	3,000	2,740	(260)
Fire service	3,300	3,300	5,625	2,325
Ambulance service	13,000	13,000	20,861	7,861
Rentals	3,000	3,000	7,700	4,700
Total charges for services	22,300	22,300	36,926	14,626
Interest	1,000	1,000	3,446	2,446
Donations	-	13,000	13,000	-
Other revenue	1,200	1,200	1,420	220
TOTAL REVENUES	281,321	294,321	313,628	19,307

**GARFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE				
Township board	\$41,300	\$41,300	\$29,534	\$11,766
GENERAL GOVERNMENT				
Supervisor	44,392	44,392	41,890	2,502
Elections	6,850	6,850	1,532	5,318
Board of Review	2,100	2,100	1,282	818
Clerk	24,992	24,992	23,576	1,416
Treasurer	19,422	19,422	18,947	475
Township property	79,600	79,600	53,847	25,753
Cemetery	5,500	8,500	2,710	5,790
TOTAL GENERAL GOVERNMENT	182,856	185,856	143,784	42,072
PUBLIC SAFETY				
Zoning	5,000	5,000	4,012	988
Building and electrical inspections	10,100	10,100	6,528	3,572
TOTAL PUBLIC SAFETY	15,100	15,100	10,540	4,560
PUBLIC WORKS				
Highways and streets	23,000	23,000	18,511	4,489
Sanitation	22,000	22,000	18,685	3,315
TOTAL PUBLIC WORKS	45,000	45,000	37,196	7,804
RECREATION AND CULTURE				
Parks	3,750	3,750	813	2,937
Marina	4,350	4,350	3,613	737
TOTAL RECREATION AND CULTURE	8,100	8,100	4,426	3,674
OTHER FUNCTIONS				
Insurance and other benefits	25,000	25,000	21,760	3,240
Contingency	24,436	24,436	-	24,436
TOTAL OTHER FUNCTIONS	49,436	49,436	21,760	27,676
CAPITAL OUTLAY	88,402	98,402	22,289	76,113
TOTAL EXPENDITURES	430,194	443,194	269,529	173,665
NET CHANGE IN FUND BALANCE	(148,873)	(148,873)	44,099	192,972
FUND BALANCE - BEGINNING OF YEAR	151,295	151,295	151,295	-
FUND BALANCE - END OF YEAR	\$2,422	\$2,422	\$195,394	\$192,972

**GARFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$99,802	\$99,802	\$99,180	(\$622)
State shared revenues - METRO Act	2,500	2,500	4,972	2,472
Payment in lien of taxes and commercial forest	-	-	135	135
Interest income	900	900	1,185	285
TOTAL REVENUES	103,202	103,202	105,472	2,270
EXPENDITURES:				
Public works	208,296	208,325	207,964	361
Contingency	10,000	9,971	-	9,971
TOTAL EXPENDITURES	218,296	218,296	207,964	10,332
NET CHANGE IN FUND BALANCE	(115,094)	(115,094)	(102,492)	12,602
FUND BALANCE, BEGINNING OF YEAR	120,943	120,943	120,943	-
FUND BALANCE, END OF YEAR	\$5,849	\$5,849	\$18,451	\$12,602

**GARFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$65,944	\$65,944	\$65,690	(\$254)
Interest income	250	3,411	3,738	327
Donations	-	2,864	3,731	867
Other income	-	-	9,144	9,144
TOTAL REVENUES	66,194	72,219	82,303	10,084
EXPENDITURES:				
Public safety:				
Ambulance	29,705	32,839	25,822	7,017
Fire	39,750	40,880	36,265	4,615
Capital outlay	7,544	7,544	5,507	2,037
Debt service:				
Principal	6,500	6,500	6,472	28
Contingency	13,499	15,260	-	15,260
TOTAL EXPENDITURES	96,998	103,023	74,066	28,957
NET CHANGE IN FUND BALANCE	(30,804)	(30,804)	8,237	39,041
FUND BALANCE, BEGINNING OF YEAR	34,523	34,523	34,523	-
FUND BALANCE, END OF YEAR	\$3,719	\$3,719	\$42,760	\$39,041

**GARFIELD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - VEHICLE REPLACEMENT FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$32,968	\$32,968	\$32,793	(\$175)
Federal revenues	67,896	67,896	67,896	-
Interest income	-	-	512	512
Other income	100	100	46	(54)
TOTAL REVENUES	100,964	100,964	101,247	283
EXPENDITURES:				
Capital outlay	103,863	103,863	67,896	35,967
Debt service:				
Principal	16,995	16,995	16,995	-
Interest	6,005	6,005	5,495	510
Contingency	10,241	10,241	-	10,241
TOTAL EXPENDITURES	137,104	137,104	90,386	46,718
NET CHANGE IN FUND BALANCE	(36,140)	(36,140)	10,861	47,001
FUND BALANCE, BEGINNING OF YEAR	38,069	38,069	38,069	-
FUND BALANCE, END OF YEAR	\$1,929	\$1,929	\$48,930	\$47,001

OTHER SUPPLEMENTARY INFORMATION

**GARFIELD TOWNSHIP
COMBINING BALANCE SHEET
SPECIAL REVENUE - NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006**

	PARKS FUND	WATERWAYS FUND	TOTAL
ASSETS:			
Cash and cash equivalents	\$2,854	\$571	\$3,425
FUND BALANCES:			
Unreserved, undesignated	\$2,854	\$571	\$3,425

GARFIELD TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - SPECIAL REVENUE - NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006

	PARKS FUND	WATERWAYS FUND	TOTAL
REVENUES:			
State grant	\$ -	\$367	\$367
Interest	74	-	74
Donations	4,681	-	4,681
TOTAL REVENUES	4,755	367	5,122
EXPENDITURES:			
Recreation and culture	3,002	-	3,002
Capital outlay	-	367	367
TOTAL EXPENDITURES	3,002	367	3,369
NET CHANGE IN FUND BALANCES	1,753	-	1,753
FUND BALANCES - BEGINNING OF YEAR	1,101	571	1,672
FUND BALANCES - END OF YEAR	\$2,854	\$571	\$3,425

RICHARD E. MAHLMEISTER

CERTIFIED PUBLIC ACCOUNTANT, P.C.

Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

August 16, 2006

Township Board
Garfield Township
Mackinac County, Michigan

In planning and performing my audit of the financial statements of *Garfield Township, Mackinac County, Michigan*, for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. This letter does not affect my report dated August 16, 2006 on the financial statements of *Garfield Township*.

Thank you for the opportunity to serve *Garfield Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Sincerely,



Richard E. Mahlmeister, C.P.A.

ACCOUNTING SOFTWARE

Considering the size and accounting needs of the Township, the current accounting software adequately provides accounting information for financial statement preparation. However, though the basic structure is there, it does not fully utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan. Additionally the Township should implement separate fund accounting for the Special Revenue Funds (Roads) of the Township.

I suggest that the Board, when next updating the accounting software, consider pursuing purchasing fund accounting software to a level that will provide accounting and budgeting information, separately for each fund, that may be more useful to management and fully utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan.